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Interwest Capital Corp. discusses his

pursuing distressed

properties and repositioning them

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discusses the institution's success through its 'laser focus on San Diego.'

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company's strategy of

Winning Play

TOURISM: Sportsplexes Bring Hotel, Dining Dollars

By LOU HIRSH

They don't generate the glitz and global hype of Comic-Con International. But a growing slate of youth baseball, softball and soccer tournaments is having a noticeable economic impact in places like Poway and Santee, the two local cities with sports facilities operated by locally based

Sportsplex USA.

"We were fortunate in that we held up better than lots of other industries during and after the recession," said Bill Berghoff, president of the Santee-headquartered company. "The pace of the tournaments we're getting has held up really well.

Berghoff said the number of youth tournaments held at the company's two local sites has grown steadily over the years, to more than 50 annually - averaging Sports page 30

Melissa Jacobs Bill Berghoff, left, and his father, Paul, have provided a boost to the local economies of Poway and Santee with Sportsplex USA's locations in those cities.

Callaway's 2014 Lineup May Drive Up Sales

SPORT: Big Bertha Brand Key Part of Turnaround Efforts

By BRAD GRAVES

Callaway Golf Co. is preparing to introduce new versions of its storied Big Bertha brand of golf club Feb. 14 after a seven-year hiatus, and the company believes it and the club can reclaim former glory together.

Callaway's (NYSE: ELY) plans to revive the Big Bertha brand come as the Carlsbad-based company shoots for profitability in its third year under CEO Chip Brewer's turnaround strategy.

➡ Callaway page 31



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Spawar Systems C.O. **Relishes New Role**

DEFENSE: Captain Eager to Reach out to Defense Industry

■ By BRAD GRAVES

As a science enthusiast, U.S. Navy Capt. Kurt Rothenhaus must feel like a kid turned loose in the Wonka candy factory. Actually, his situation is even better. He's in charge of the candy.

Rothenhaus is settling into his new job as commanding officer of Spawar Systems Center Pacific, the U.S. Navy's lab on Point Loma. Spawar Systems Center deals in high-tech electronics, robotics, software, cybersecurity, ➡ Defense page 32

S.D. Seeks to Improve **Export Performance**

TRADE: Plan Is to Leverage Area Advantages, Mentor Cos.

By MIKE ALLEN

San Diego ranks as the eighth-largest city in the nation and the 17th-largest in terms of gross regional production, but when it comes to exports, it comes in a dismal 55th.

Those facts and the real potential to turn it around are reasons the county was selected by the Brookings Institution as one of eight regions to participate in a program to boost its exports and economic competitiveness.

After about a year, a core team of local policymakers, government and private sector officials, and others involved in the export economy released a plan that is intended to ➡Exports page 33

Tri-City Medical Takes On Image With Action

HEALTH: Interim CEO Talks Candidly of Plans, Challenges

By MEGHANA KESHAVAN

The woman had extreme stomach pains and was on the verge of passing out. Tri-City Medical Center was a stone's throw away, but she adamantly refused to go there because she'd heard its care was substandard - opting instead for the far-away Scripps Encinitas hospital. When the woman fainted, however, her husband took her to Tri-City, where the physicians there saved her life.

Tri-City Medical Center interim-CEO Casey Fatch recounted this event during a ➡ Tri-City page 34

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Photo courtesy of Callaway Golf Co. Callaway Golf Co's new version of its Big Bertha driver and the company's plan to release it this month is reflective of its turnaround.



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TAX LAW & ACCOUN



Marshall Varano, tax partner at CohnReznick said it's important to choose the right structure for your business to minimize your taxes and take advantage of all credits that are out there.

The Code Talkers

FINANCE: Experts Say Tax Breaks Are Limited Except for Certain R&D

■ By EMMET PIERCE

Tax breaks will be difficult, though not impossible, for San Diego businesses to find this year.

Ronson Shamoun, principal and CEO of RJS Law, said there is little positive news for tax-weary businesses

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Ronson Shamour

"I don't know of additional benefits," he said. Businesses "are getting beat up left and right."

One major setback is the expiration of state enterprise zone tax credits, said Marshall Varano, tax partner at Cohn-Reznick LLP, an accounting and tax advisory firm. He cited downtown San Diego's Gaslamp area as a good example of a giant enterprise zone that spurred economic benefits.

"What the enterprise zone did was provide credits for the hiring and paying of wages of individuals who worked in those zones," he said.

But those have gone away as of Dec. 31, he said, replaced with California new-hire and business credits that are "somewhat like the old enterprise zone credits but not as beneficial and not as easy to qualify for.' Unused enterprise credits accumulated

by businesses can be carried forward. Shamoun noted that Congress has yet to renew Section 179 of the U.S. Internal Revenue Code, which allows businesses to deduct the cost of certain types of property on their income taxes as an expense, rather than requiring such property to be capitalized and depreciated.

Also, this section previously allowed businesses to deduct up to \$500,000 in purchases, but the limit is now \$25,000, Shamoun said.

'That will hinder small businesses that want to buy equipment and get a larger deduction," Shamoun said, adding that

Congress hasn't done anything to increase the limit but that it "could possibly do it in the next month or so.'

Planning 'on the Edge' of Obamacare Tax lawyers and accountants said

they're working to help businesses prepare for new requirements to provide health insurance to employees under the federal Affordable Care Act.



The employer shared responsibil-

ity clause of the ACA, also known as ➡Tax Law page 19

Options for Minimizing California 19 **Business Taxes Are Limited**

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Executive Profile: Kevin Brown of **RBTK LLC**



20 Law Firms

Options for Minimizing California Business Taxes Are Limited

TAX: High Labor Costs on Top of Taxes Prompts Many To Consider Leaving State

■ By EMMET PIERCE

It's difficult for California companies to reduce their taxes by expanding outside the state, despite its reputation for levying heavy tax burdens on businesses.

Moving part of your business out of California won't help you cut your tax bill, said Chris Cooke, principal with the Cooke Law Firm, primarily because the state's franchise tax board is "very diligent in taxing any entity that has a nexus in California

"If you really want to avoid California taxation, the safest thing is to leave the state," said Cooke, a tax, estate planning and business lawyer. "Otherwise you are going to have the burden of convincing the franchise tax board that the income is not related to your presence in California."

Ronson Shamoun, principal and CEO of the RJS Law tax law firm, agreed

Tax Law:

➡from page 17

Obamacare, requires businesses with 50 or more full-time-equivalent workers to offer a mandated level of health coverage to workers or face fines beginning in 2014. However, the Obama administration announced earlier this year that it won't penalize firms that fail to comply this year.

How worried businesses should be about Obamacare depends on how many workers they have, said Chris Cooke, principal of the Cooke Law Firm.

"If you are a big business, if you are General Atomics, you already offer health insurance to employees. You don't care about Obamacare," Cooke said. "If you are a business with five or 10 people, you are too small. If you are right on the edge, with 50-plus employees, this is huge.

Shamoun said businesses need to quickly determine how they are going to address the ACA in 2015.

"If you can't afford Obamacare, start figuring out how you are going to run your business," he said. "Either cut back on the labor force, or, if you have multiple partners, you may just want to separate the partnerships so each partner owns its own business" with fewer than 50 workers.

Exporters May Find Tax Relief The federal export tax incentive for

small and midsize manufacturers that qualify as interest charge-domestic

international sales corporations, or IC-DISCs, is often overlooked by export businesses, said Dean Zerbe, a former senior counsel and tax counsel to the U.S. Senate Committee on Fi-



nance and the current national managing director at alliantgroup, a tax services provider.

An IC-DISC typically is a wholly owned U.S. subsidiary of a domestic exporting company. It serves as the exporting company's foreign sales agent. An IC-DISC is not subject to federal income tax and certain state income taxes.

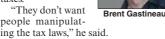
"It is an export incentive," Zerbe said.

that it's difficult to cut your tax bill by expanding to an out-of-state location. "If your principal place of business is

California, you are going got be subject to California taxes," he said. "If you were to set up an office out of state but still do business in California, that isn't going to minimize anything.

The State's Watchdog Role Brent Gastineau, a partner in the

Gatto, Pope and Walwick LLP accounting firm, said state officials are very strict when they think a business is trying to dodge its taxes.



qualify for nor as beneficial.

tax savings

them eligible.

"You can cut your tax bill by 20 to 25

percent. In San Diego, there are many

federal regulations when forming an IC-

DISC, Zerbe said. Any failure to comply

with the requirements could result in no

Meanwhile, California has a very good

credit for research and development,

Zerbe said. The R&D tax credit is avail-

able only for certain types of qualified

research activities that take place in

California, however. Anyone running a

business that makes things greener, clean-

er or cheaper should explore whether it

qualifies, he said, adding that people of-

ten don't realize that their activity makes

California are not taking advantage of

Nineteen out of 20 businesses in

R&D Credit Worth Pursuing

The catch is that you must follow all

opportunities with the Mexican market.

Businesses need to decide whether they really want to remain in California. said Marshall Varano, a tax partner at CohnReznick, an accounting and tax advisory firm.

"If your business operates here, if you rent property or have a brick-and-mortar structure here, it does not matter where you incorporate. You still have to pay tax-es in California," he said. "The question you have to ask yourself is 'Do I want to stay in California and do business?"

Many businesses and individuals have answered "no," Varano said, and have decided to leave the state.

Heading Overseas

Dean Zerbe, national managing director at alliantgroup, a tax services provider, said manufacturers sometimes can save money by moving their operations overseas.

Unfortunately, San Diego's high-tech, telecommunications and biotechnology companies often are at a disadvantage when it comes to finding the expertise they need in other countries, he said.

They need the scientists and engineers they have in place," Zerbe said.

Businesses that set up operations in

foreign countries and keep their profits offshore generally don't pay U.S. taxes on them, Varano said.

"There are quite a few exceptions to that though," he said. "Setting up a foreign corporation will allow companies to defer the payment of U.S. tax, but the deals are very complicated. Certain types of transactions could cause some of those earnings to be taxed in the U.S. You really need to understand how your operation will work."

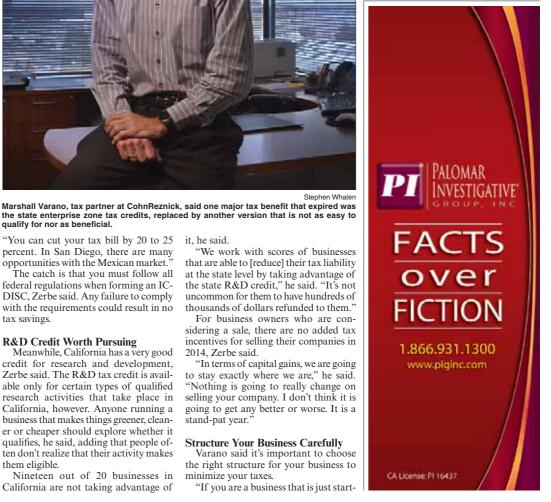
Zerbe said keeping profits overseas can be a problem for companies that need to bring money home to fuel expansions in the Ŭ.S.

And while Shamoun said it's "hard doing business in California," many businesses still choose to bear the costs of operating here - perhaps for less taxable benefits.

"California does have one of the highest income tax rates the country, and it also has one of the higher labor rates,' Shamoun said. "You are paying for the weather.3

ing out, trying to determine what form of entity you want to do business as is the most important decision you can make," he said. "Do you want to be a limited liability company? Do you want to be an S corporation? Do you want to be a C corporation? All of these have different tax consequences associated with them.'

Varano considers it a mistake to plan for business taxes without expert advice. He recommends finding a tax professional who "can do an analysis for you and make sure you are taking advantage of all credits that are out there.'





it, he said.

2014. Zerbe said.

stand-pat year.'

minimize your taxes.

Structure Your Business Carefully

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